THE FOREST INDUSTRY SNAPSHOT:
Ministry of Forests, Mines and Lands

February 2011

BRITISH COLUMBIA
The Best Place on Earth

A Selection of Monthly Economic Statistics

Points of interest:

Investments

B.C. Forestry Capital Expenditures are estimated to be $558 million* in 2011 (*based on intentions), up **33%** from 2010 due to the federal **Pulp and Paper Green Transformation Program** and increasing industry investments as the economy recovers.

Several B.C. forest companies have benefited from the Pulp and Paper Green Transformation Program (announced in 2009), which allows firms to draw on federal funding until March 31, 2012 to finance new technologies that improve energy efficiency and environmental performance.

Recent announcements include:
-Canfor Pulp's Northwood Mill received **$100 million** to upgrade its recovery boiler; and
-West Fraser's Cariboo pulp mill received **$41.5 million** to improve the mill's environmental performance.

Several forest companies have also announced planned investments for 2011, for example, **Canfor** intends to spend a total of **$145 million** on sawmill upgrades.

** Data source: Statistics Canada.*

Mill Re-openings

There were **20 mill re-openings** and only 4 indefinite mill closures announced in 2010, indicating that recovery is on its way for the forest industry. Most of the reported openings were lumber mills located in the interior.

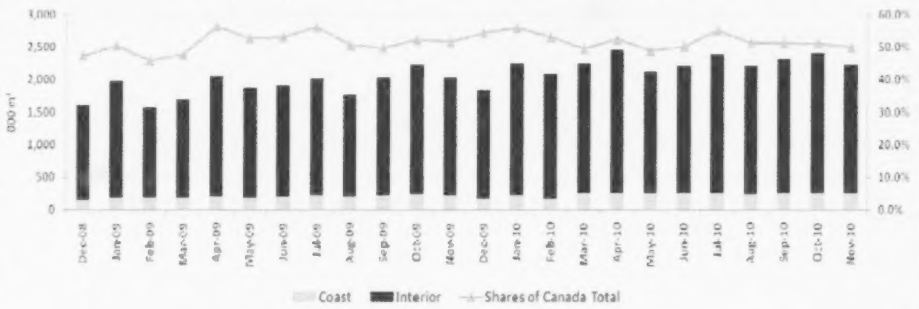
For further information please contact:

Jie Shu, Economic Analyst
Competitiveness Branch
Competitiveness, Innovation & Land Division
Email: jie.shu@gov.bc.ca

SOFTWOOD LUMBER MARKET

U.S. Housing Starts* and SPF 2x4 Prices

B.C. Softwood Lumber Production and Shares of Canada Total



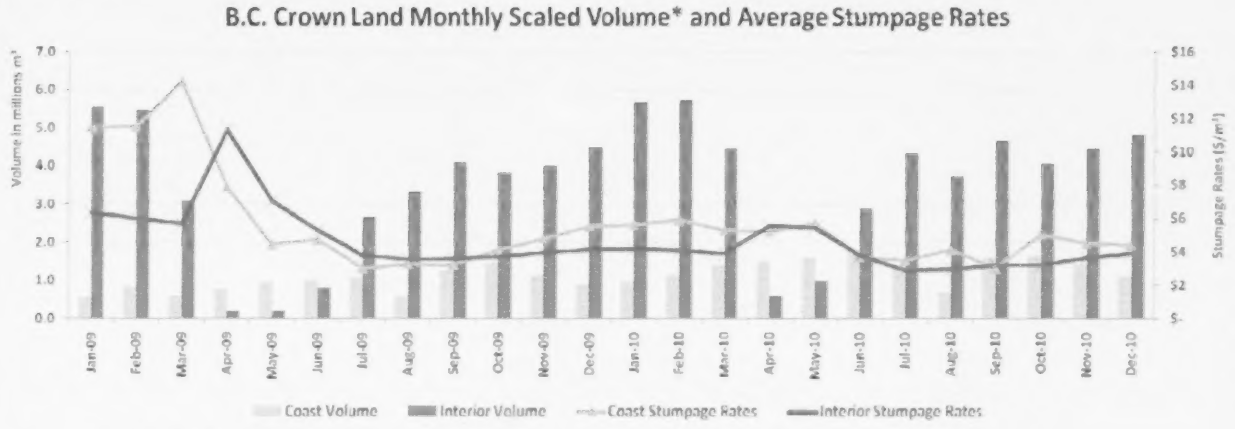
Data sources: Madison's, US Census Bureau and Statistics Canada. * private-owned housing starts.

- **U.S. privately-owned housing starts rose by 14.6%** in **January** to a seasonally adjusted rate of **596,000**. This is 2.6% lower than the rate one year ago. It is still too early to be positive about the recovery of U.S. housing market due to the continuing **high unemployment rate** and large number of **foreclosed houses** in the existing market.
- Lumber prices keep rising, mainly due to strong Chinese demand. **SPF 2x4s** averaged **CAD$311** in **January 2011, up 7.7%** from December 2010 and **up 35.1%** from one year ago. Recent attractive SPF prices have induced some lumber mill restarts, most of them located in B.C.'s interior region.
- **In the first 11 months of 2010, B.C. softwood lumber production increased** by **18%** from the 2009 level. B.C. accounted for **51.7%** of Canada's total softwood lumber production in **2010 YTD.**
- **B.C. softwood lumber export value** totalled **$3.56 billion** in 2010, **up 29.4%** from 2009. **B.C. softwood lumber export volume** totalled **20.8 million m³** in 2010, **up 17%** from 2009. The top 3 destinations for softwood lumber exports were: **U.S.** (value: 50.3%; volume: 58.9%), **China** (value: 19.3%; volume: 21.9%) and **Japan** (value: 18.2%; volume:11.7%).

Common Abbreviations:
YTD- year to date
M/M – % change from the previous to current month
Y/Y- % change from the same month in the previous year to the current year
SAAR- Seasonally Adjusted Annual Rates
China- refers to China, including Hong Kong

 The information in this report was compiled from a variety of sources by the MFML Competitiveness Branch. Data contained in this report is not intended to have any predictive capacity.

HARVESTING



Data source: Harvest Billing System of Ministry of Forests, Mines and Lands.

**Based on scale dates, all logs, special forest products, species and grades billed to crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST Total scaled volume for <u>all</u> land (including crown, private and federal) was **16.4 million m³** in 2010, **up 46.5%** from 2009. Crown land **scaled** volume was **0.8 million m³** in **December**, contributing to a total of **12.2 million m³ in 2010**. This is an **increase** of **54.3%** from 2009. 2010 stumpage rates averaged **$4.62/m³**, **down 16.9%** from 2009. Lower log prices in the Vancouver Log Market due to the U.S. market downturn is the main reason for the lower average stumpage rates.

INTERIOR Total scaled volume for <u>all</u> land (including crown, private and federal) was **46.4 million m³** in 2010, **up 23.2%** from 2009. Crown land **scaled** volume was **4.7 million m³** in **December**, contributing to a total of **45.1 million m³ in 2010**. This is an **increase** of **23.6%** from 2009. 2010 stumpage rates averaged **$3.68/m³**, **down 22.3%** from 2009. Declining average stumpage rates continue to reflect the impacts of the U.S. market downturn, as well as the deteriorating impact of the Mountain Pine Beetle on timber quality.

EXPORTS

Data source: BC Stats.

B.C. forest product exports totalled **$822 million** in December, up **10%** m/m and **up 20%** YTD from 2009:

- **Wood product exports** totalled **$452 million** in December, up **8.8%** m/m and **up 23.7%** YTD from 2009; and
- **Pulp & paper products** totalled **$370 million** in December, up **11.5%** m/m and **up 15.7%** YTD from 2009.
- **Softwood lumber** accounted for **39%** of B.C. total forest products export value in 2010, **pulp** accounted for **32%**.

In December 2010, the destination with the **largest share of B.C. forest products export value** was the **U.S.** at **36.2%**, while **China** accounted for **34.7%** and **Japan** accounted for **11.8%**.

Since April 2010, the **U.S. share** of B.C. forest products export value has been gradually declining, while **China's share has been steadily increasing. Japan's share** remained stable at around **12%**.

 The information in this report was compiled from a variety of sources by the MFML Competitiveness Branch. Data contained in this report is not intended to have any predictive capacity.

DATA SUMMARY

Monthly Economic Statistics - February 2011

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices *(USD/000 bd ft)*									
SPF 2x4	*Jan 11*	**$311**	$289	7.7%	$230	35.1%	$311	$230	35.1%
Random Lengths Lumber Composite	*Jan 11*	**$304**	$282	7.6%	$264	15.0%	$304	$264	15.0%
SPF 2x10	*Jan 11*	**$345**	$333	3.6%	$318	8.6%	$345	$318	8.6%
SPF Stud	*Jan 11*	**$274**	$253	8.2%	$239	14.7%	$274	$239	14.7%
Cedar 2x4	*Jan 11*	**$650**	$650	0.0%	$650	0.0%	$650	$650	0.0%
Hemlock Squares	*Jan 11*	**$785**	$785	0.0%	$765	2.6%	$785	$765	2.6%
Panel Prices *(USD/000 sq ft)*									
Plywood	*Jan 11*	**$308**	$298	3.2%	$301	2.0%	$308	$301	2.0%
OSB	*Jan 11*	**$210**	$198	6.1%	$202	4.0%	$210	$202	4.0%
Pulp & Paper Prices *(USD/tonne)*									
NBSK Pulp	*Jan 11*	**$949**	$950	-0.1%	$811	16.9%	$949	$811	16.9%
Newsprint (U.S. Eastcoast)	*Jan 11*	**$626**	$625	0.1%	$524	19.4%	$626	$524	19.4%
CAD/USD Exchange Rate	*Jan 11*	**0.9938**	1.0077	-1.4%	1.0429	-4.7%	0.9938	1.0077	-1.4%
Housing Starts *(000 units)*									
U.S. (Seasonally Adjusted Annual Rates)	*Jan 11*	**596**	520	14.6%	612	-2.6%	596	612	-2.6%
Canada	*Jan 11*	**170**	169	0.8%	193	-11.5%	170	193	-11.5%
Japan (Wood-based)	*Dec 10*	**44**	41	5.2%	41	7.2%	460	430	7.0%
B.C. Lumber Production *(000 m^3)*	*Nov 10*	**2,244**	2,400	-6.5%	2,034	10.3%	24,934	21,139	18.0%
Coast	*Nov 10*	**241**	256	-6.0%	221	9.2%	2,635	2,245	17.4%
Interior	*Nov 10*	**2,003**	2,144	-6.5%	1,814	10.5%	22,299	18,894	18.0%
B.C. Market Pulp Shipments *(000 tonne)*	*Dec 10*	**414**	345	20.0%	278	48.9%	4,277	3,708	15.3%
B.C. Forest Products Exports *(million $)*	*Dec 10*	**$822**	$748	10.0%	$630	30.5%	$9,126	$7,602	20.0%
Wood Products	*Dec 10*	**$452**	$416	8.8%	$338	33.6%	$5,104	$4,127	23.7%
Pulp & Paper products	*Dec 10*	**$370**	$332	11.5%	$292	26.9%	$4,022	$3,475	15.7%
Shares of B.C. Forest Products Exports Value *(%)*									
U.S.	*Dec 10*	**36.2%**	39.9%	-9.4%	46.4%	-22.1%	45.2%	52.8%	-14.5%
China & Hong Kong	*Dec 10*	**34.7%**	32.4%	6.9%	19.5%	77.8%	24.1%	16.5%	46.1%
Japan	*Dec 10*	**11.8%**	11.0%	7.8%	12.9%	-8.8%	12.4%	12.3%	1.3%
Other	*Dec 10*	**17.4%**	16.7%	3.9%	21.1%	-17.9%	18.3%	18.4%	-0.6%
Market Shares of U.S. Lumber Consumption *(%)*									
B.C.	*Nov 10*	**13.9%**	13.3%	4.7%	17.2%	-19.0%	16.1%	16.0%	0.6%
Rest of Canada	*Nov 10*	**14.3%**	12.3%	16.3%	11.4%	25.1%	11.5%	10.2%	12.1%
U.S.	*Nov 10*	**71.8%**	74.4%	-3.5%	71.4%	0.6%	72.4%	73.8%	-1.8%
3rd Country	*Nov 10*	**1.2%**	1.0%	22.2%	1.7%	-26.3%	1.3%	1.7%	-23.7%
B.C. Crown Land Scaled Volume** *(000 m^3)*	*Dec 10*	**5,529**	5,396	2.5%	4,968	11.3%	57,294	44,395	29.1%
Coast	*Dec 10*	**803**	1,071	-25.0%	597	34.6%	12,197	7,907	54.3%
Interior	*Dec 10*	**4,726**	4,325	9.3%	4,371	8.1%	45,096	36,489	23.6%
B.C. Average Stumpage Rate *($/$m^3$)*	*Dec 10*	**$3.96**	$3.82	3.8%	$4.28	-7.4%	$3.88	$4.88	-20.5%
Coast	*Dec 10*	**$4.42**	$4.52	-2.2%	$5.54	-20.2%	$4.62	$5.57	-16.9%
Interior	*Dec 10*	**$3.88**	$3.64	6.7%	$4.11	-5.4%	$3.68	$4.73	-22.3%
B.C. Forestry Employment (LFS) *(000 jobs)*	*Jan 11*	**52.0**	54.4	-4.4%	52.8	-1.5%	52.0	52.8	-1.5%
Forestry & Logging	*Jan 11*	**10.8**	11.8	-8.5%	15.8	-31.6%	10.8	15.8	-31.6%
Wood Products	*Jan 11*	**30.9**	33.3	-7.2%	28.5	8.4%	30.9	28.5	8.4%
Paper Products	*Jan 11*	**10.3**	9.3	10.8%	8.5	21.2%	10.3	8.5	21.2%
B.C. Log Exports									
Volume (*000 m^3*)	*Dec 10*	**375**	307	22.1%	246	52.0%	3,984	2,818	41.4%
Value (*million $*)	*Dec 10*	**$38.9**	$30.0	29.5%	$21.5	80.4%	$377.5	$260.3	45.0%

** based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year.*

*** Preliminary data and subject to change.*

 The information in this report was compiled from a variety of sources by the MFML Competitiveness Branch. Data contained in this report is not intended to have any predictive capacity.